

**PANEL DISCUSSION  
SOCIAL SECURITY**

*Panel Members:*

VICE-PRESIDENT ARTHUR PEDOE, *Moderator*

LAURENCE E. COWARD

ROBERT J. MYERS

W. RULON WILLIAMSON

LEONARD LESSER, Director, Social Security Activities, Industrial Union Department, AFL-CIO

MR. ARTHUR PEDOE, moderator of the panel, opened up the subject with the statement that the United States has a great responsibility for its actions in the social security field because other countries have turned to it for leadership. Whether the United States was leading the world to a new era or to bankruptcy was a point which the panel would discuss.

He then introduced the members of the panel, each of whom was asked to present a statement on a special aspect of social security. Their statements are reproduced below.

LEONARD LESSER:

*Health Care for the Aged*

The Social Security Act was enacted in 1935. Next year marks its 25th anniversary.

While we have made great progress during the past 24 years in meeting the economic needs of older people through the OASDI program, supplemented in more recent years by private pension payments, we still have a long way to go.

The average primary old age benefit payable under the Social Security Act is now only \$72.00 a month and the average elderly couple receives only about \$120.00 a month. At the end of 1957, only one out of every seven social security beneficiaries over the age of 65 was receiving a supplemental private pension. The proportion of beneficiaries who live entirely or almost entirely on social security has remained practically unchanged since 1951. In all, there are fewer than 18 million workers covered by private pension plans.

While the program was expanded to provide benefits to workers who become permanently or totally disabled, it fails to provide meaningful protection to thousands of disabled workers. It does not cover those under

age 50, and for those above that age protection is often illusory. Workers who because of their physical or mental conditions are unemployed by any reasonable standards, including the standards of other Federal agencies, such as the Veterans Administration, as well as those set forth in private pension programs, are denied benefits by the Act's restrictive definition of disability and the rigidity of its interpretation by the Federal and state agencies making the determinations of disability. Moreover, the expansion of the vocational rehabilitation program that was to accompany the disability provisions has failed to materialize to any significant extent. In many states economy-minded state legislatures fail even to appropriate sufficient rehabilitation funds to qualify for the Federal grants appropriated by Congress for that purpose.

At the present time, the single most urgent unmet need of our aged population is health care. The single most important reason for their not getting it is that they cannot afford it. At the same time that their medical care needs are increasing and are greater than average, they are faced with a radical drop in their income. Older persons as a group use about two and a half times as much general hospital care as the average for persons under age 65, and they have special need for long term institutional care. Yet three-fifths of all Americans 65 years of age or over are receiving cash income from all possible sources of \$1,000 or less a year. Four-fifths are receiving less than \$2,000.

Any solution to meeting this problem must face up to this conflict between the limited resources of the aged and their growing health needs. A solution which tailors the health care of the aged to what they themselves can afford will not do the job. It must offer the opportunity for adequate health care without forcing the aged to accept charity, to be dependent on the resources of their families, or to deprive themselves of other necessities of life.

As you are all aware labor has supported H.R. 4700 introduced in the 86th Congress by Congressman Forand of Rhode Island. This Bill would use the social security mechanism to provide hospital, nursing home and surgical benefits to the beneficiaries of our old age and survivors insurance program. It would be financed by an additional one quarter percent social security contribution from workers and employers. We believe that this proposal is sound and feasible and represents the only effective and workable proposal so far advanced for paying during the working years for health care in the retirement period.

The support of labor for the Forand Bill was not given lightly. It was arrived at after a consideration of the present failure of private insurance to cover the bulk of the aged, its failure to pay for much of the care for

even those who are covered, and the inability of the insurance industry and the American Medical Association to offer any practical alternative.

While there are no actual figures available on the number of aged persons covered by health insurance, the most optimistic estimate still shows about 60% of our population over age 65 without any form of health insurance protection. And even for those who do have protection the limitation on benefits, the low benefit levels, the restrictions on eligibility, cancellation clauses and other restrictions make their protection meaningless. A survey by the OASI Bureau of what actually happened to beneficiaries who had hospitalization insurance in 1957 shows that almost three-fourths of the elderly couples had either nothing or less than one-half paid by their insurance.

While insurance companies have recently been making a few gestures toward older people, the best they have been able to offer still falls far short of meeting the problem.

Those policies of the 65-plus type of contract, while they contain some liberalization over previous practices, still put the entire burden on the people who are aged, without any advance accumulation of funds and without any sharing by younger people in the cost. As a result the benefits are appallingly inadequate. Hospitalization benefits in one such policy, for example, are limited to \$10.00 a day while room rates often run about twice as much. This policy provides a maximum of 31 days although one-third of the bed days occur for people over 65 after the 31st day of hospitalization. The \$100.00 maximum for other hospital expenses is obviously insufficient at a time when the therapeutic charges, which would be covered without cash limits under the Forand Bill, are almost as expensive as room and board. The surgical benefits are mere indemnities and offer no assurance of their acceptance as full payment by their physicians.

Moreover, the monthly premium of \$6.50—\$13.00 for an elderly couple—is attractive only in comparison with the previous offerings of insurance companies. Without employer contributions to help defray the cost it is unlikely that many of the aged people of our country, with their limited resources, will be able to enroll for these expensive but still inadequate benefits.

The best that we have been able to achieve is a continuation of group coverage and group benefits for retired workers with the cost of such coverage deducted from their pension checks. Even here the problems in getting and holding on to coverage are substantial. The cost of such coverage is still too great for workers on limited pensions. Coverage is lost if the employed group ceases to be covered because of any reason, such as the fact that their plant has been closed.

Most retired workers do not even have the opportunity to participate in this type of coverage. The great majority are not covered by private pensions and therefore do not have the opportunity of group coverage for which carriers require a formal private pension program. As a consequence, these aged, constituting the overwhelming majority, have substantially less means to meet higher premiums for less coverage and are consequently largely uninsured.

Insurance company proposals to prefund health care for older people—that is, to permit them to set aside money for it before retirement—may sound reasonable but they do not offer a practical way to meet the basic problem of health care for the aged.

They offer no solution for those persons who are now over age 65 or for those who are in their advancing years who have no opportunity for pre-funding. Even for the young person the solution is too unreliable. While there would undoubtedly be a substantial cost advantage in having such a policy issued early, say at age 21, as compared to purchasing protection at a much higher age, the benefits offered are inadequate even to meet today's costs of hospital care. With hospital room rates having tripled in the past 20 years, today's 21 year old has no way of knowing what protection he will need in the year 2003 when he reaches age 65.

The short of the matter is that no solution is practical which requires the aged to pay for their own health care. A broad risk sharing is an essential part of any serious proposal to deal with the aged. Adequate benefits can be provided only by spreading the cost of the high risk groups of the aged over as large a portion of the population as possible. Individual policies, or policies which treat the aged as a group, by their very nature contain no element of risk sharing. The practice of experience rating which is being followed by insurance companies in the formulation of voluntary health insurance is directly opposed to this necessary risk sharing. So long as insurance companies stress the sales approach of paying dividends to the so-called more favorable groups, the result will be an inducement to exclude the aged or to limit their protection. Unfortunately, under the pressure of competition from commercial insurance companies even Blue Cross and Blue Shield plans, which earlier embraced community rating and broad risk sharing, have been increasingly moving toward experience rating.

We do not see a solution to the problem of the health care of the aged through insurance mechanisms which place the entire cost of the protection on the aged or which are designed to discourage other groups from meeting their responsibilities toward the older people. Under their tradi-

tional standards and practices private insurance companies cannot possibly offer adequate health insurance to retired citizens.

It is for these reasons that we support the Forand Bill approach of using the social security mechanism to provide health care to the aged. Through it alone can we get the aged covered, provide for a minimum standard of protection, and spread the cost as broadly as possible over the working lifetime of people and over the working population of America.

The social security system as it now stands is sound. The additional benefits which would be provided under the Forand Bill, would be fully supported by increased contributions. They would strengthen our Social Security system by adding a reasonable degree of protection against health costs. This is the greatest gap in the security of our older citizens. It must be filled.

ROBERT J. MYERS:

The United States Old-Age, Survivors, and Disability Insurance system has been operating for nearly a quarter century with essentially the same basic character, although there has been broadening of the types of employment covered, in the varieties of benefit protection provided, and, to a limited extent, in the size of the benefits relative to earnings. The basic purpose of OASDI, as I see it, is to provide benefit protection against long-range risks of a catastrophic nature for as much of the population as possible, with a benefit level sufficient, along with other personal income and assets, to produce a reasonable minimum standard of subsistence for the vast majority of beneficiaries—to be financed by equal contributions from workers and employers.

In the following remarks, I shall discuss what I believe to be the attitude of the general public and of Congress toward the system, its development, and its possible future trends. Then I shall survey changes that may be considered in the next session of Congress, and conclude with a historical and factual account of the pending proposals to provide hospitalization and related medical benefits under the system.

In general, I believe that the great majority of persons in the United States—and their elected representatives in Congress—are well satisfied with the fundamental character and operations of the OASDI system. There are a small number of supporters of the Townsend and similar movements who want a universal pension system with large payments at an earlier age than under OASDI. On the other side, a small minority are completely opposed to any such governmental provisions for economic security.

The fact that the vast majority of the people in the country seem to approve thoroughly of the OASDI system should not be taken to imply that all of them understand adequately its underlying principles and methods of operation. In one sense, an analogy can be drawn with many other complicated mechanisms of our modern life such as television and automobiles: few people understand how they operate, but most people are satisfied with the results.

The basic principles of OASDI as I see them are (1) the system is joint-contributory; (2) its benefits are earnings-related on a weighted basis; (3) there is a large measure of social adequacy in the benefits as contrasted with individual equity; (4) its financing is on a self-supporting basis from the contributions provided; and (5) a trust fund is developed from the accumulated excess of income over outgo. By "joint-contributory" I mean that the cost is shared equally by employer and employee. The benefits are related to earnings, although not directly, so that those with lower earnings receive proportionately higher benefits, in recognition of the "floor of protection" concept. The social adequacy of the benefits is further augmented by the fact that, for those who meet minimum coverage requirements, benefits are not proportional to length of coverage so that virtually as high benefits are payable to those retiring now as will ultimately be available.

The earnings-related nature of OASDI results in the necessity for detailed keeping of records of past earnings. Some criticism is made that administrative expenses could have been lower if a less complex system had been adopted. In my opinion, this point is countered by the fact that, in 1958, direct and indirect expenses for collecting contributions, maintaining records, and paying benefits represented only 2.4% of the benefit disbursements. Administrative ingenuity coupled with improvements in office machines and techniques has kept the administrative costs at a low level.

Under the important self-supporting financing principle, the entire cost of the system is to be borne by the covered individuals and their employers, with no contribution from the Federal Government, except as an employer. The contribution rates rise in the future, following a specific schedule set forth in the law. Because of this and because of the social adequacy character of the benefits, along with the very liberal qualifying requirements in the early years of operation, the trust fund accumulated is, and will continue to be, relatively small.

There has been some misunderstanding of these basic principles on the part of the general public. The rising contribution schedule, with its low rates in the early years, undoubtedly led some people to think that the

system had a low cost. This was especially so in the 1940's when the combined employer-employee tax rate was frozen at the initial 2% scheduled for 1937-39. People looked at this low rate and urged much higher benefits to be financed by raising the low contribution rate. The misunderstanding has lessened in recent years as the combined employer-employee contribution rate currently payable has risen according to schedule until it is now 5% and will rise to 6% next January.

Another misconception has arisen through failure by some people to distinguish between social insurance on the one hand and banking, individual insurance, and group insurance on the other. The view has often been expressed that the contributions should be refunded if the eligibility conditions have not been met or, more significantly, that the benefits should be available without a retirement test because "they had been bought and paid for" by the individual's contributions. Undoubtedly this confusion will always be present in the minds of some people, but it seems to be lessening with continued explanation of the program.

In recent years, perhaps the most significant public misunderstanding of OASDI has been in regard to its financing. On the one hand, there are some who say that the accumulated \$23 billion in the trust funds is a huge surplus that should be divided among the current beneficiaries. On the other hand, and more importantly, there has been criticism of the financial soundness of the program. To a certain extent this has always been present when the system has been considered similar to individual insurance. Under the latter, sufficient funds must always be available to the extent that, if the business is terminated, there will be enough on hand to pay off the accrued liabilities. Under a national compulsory social insurance system, continuity of operation can be assumed, and the test of financial soundness is whether the proposed future income from taxes and investments plus the fund on hand will be sufficient to pay the anticipated expenditures. Thus, it is quite proper to rely both on receiving contributions from new entrants and on paying benefits to them. When these additional assets and liabilities are considered in respect to the OASDI system, it has always been estimated to be substantially in actuarial balance.

This situation is true despite the facts that the computed unfunded accrued liability for present members is in the neighborhood of \$300 billion and that the present value of benefits for current beneficiaries is about 3 times the funds on hand. These concepts, which are of such significance in private pension plan financing, are not controlling in social insurance financing although they are of intellectual interest. In any event, they should be studied and expressed so as to make clear the

necessary and desirable distinctions between social insurance and private insurance.

Criticism of the financial soundness of the system has been particularly prevalent in the last few years when outgo has somewhat exceeded income, particularly when only the OASI section of the fund is considered. Our estimates indicate that beginning next year, and for many years to come, this situation will be reversed as the increases in the contribution schedule take effect. The Advisory Council on Social Security Financing, established in accordance with the provisions of the 1956 Amendments and which included two Society members among its 12 appointed members, reported at the beginning of this year. Its major finding was that the method of financing OASDI is sound and the present contribution schedule makes adequate provision for meeting the costs of the program.

The self-supporting financing principle is an important factor in the control of the over-all costs of the system. Each time there has been legislative activity, the Congressional committees have carefully considered the cost aspects of all proposed liberalizations. Any changes made have been fully financed according to the best cost estimates available. At all times, Congress has attempted to keep the system on a self-supporting basis by balancing the present values of benefits and of contributions plus the fund on hand.

What changes are likely to be made in the OASDI program in the coming session of Congress and in the years to come? Some influential students of social security believe that the floor of protection concept should be redefined to a significantly higher level, and that certain new types of benefit protection should be added. For instance, one proposal recommends that the benefit level should be raised so that a single person would receive a benefit of about 50% of his recent earnings and a married person a benefit of about 75%. Moreover, such benefit rates would be applicable to the vast majority of covered individuals since the maximum earnings base would be raised considerably above \$4,800. If the benefit levels were to be so increased, serious question could be raised as to the role of private pension plans and individual savings. Any such move is not likely to have serious consideration in the immediate future.

If public opinion on desired changes in OASDI were measured by the number of bills introduced in Congress, the popularity leader by an overwhelming margin would provide for repeal or drastic liberalization of the retirement test. In the past the Congressional committees responsible for OASDI have recommended only moderate changes in this provision. They apparently have recognized that most of the criticism has been due to misunderstanding—especially since interested national groups such as



labor organizations and business associations have always strongly favored a retirement test.

The disability benefit program has now been in operation for more than two years. The limited experience has been quite favorable. The number of disability beneficiaries now on the roll and the number becoming disabled each year are considerably lower than under the original intermediate-cost estimate. The difference is primarily due to overestimating the number of persons meeting the insured status requirements for disability benefits. The male disability incidence rates fall midway between the low-cost and high-cost assumptions, but the female rates strangely enough are about 25% lower than the male rates instead of higher as assumed in the cost estimates. No significant termination rate experience is yet available.

It may reasonably be anticipated that there will soon be consideration of changes in these disability benefit provisions. Among the possible changes might be eliminating the minimum age of 50 and making the definition of disability less strict.

Another proposal that will certainly be given serious legislative consideration is the introduction of hospitalization and related medical benefits for OASDI beneficiaries. First made by the Administration in the early 1950's, the proposal did not receive very serious or widespread consideration at that time. In the past few years, however, it has been strongly supported in many quarters. At the request of the House Ways and Means Committee, a report on hospitalization insurance for OASDI beneficiaries was prepared by the Department of Health, Education, and Welfare last April. Public hearings on the Forand Bill, containing such benefits, were held by this committee in July. The Administration opposed the bill on the grounds that, although there is a problem in this area, it should be solved through individual and organized voluntary action, which has been developing so rapidly.

A number of different proposals to provide hospitalization and related medical benefits for OASDI beneficiaries have been made, although the most publicized one is that just discussed. Three types of benefits are proposed, to cover costs of hospitalization, surgical fees, and nursing home care following hospitalization. Not all proposals include all types of protection. Under some, the surgical benefits are eliminated. Under others, such as the Forand Bill, the benefits are not available for disability beneficiaries. An idea common to all is to furnish the protection not only to those actually receiving benefits but also to those who are eligible but not receiving them because of the retirement test—such as a full-time worker above age 65. This extension of protection to all “eligibles” seems

necessary because the application of the flexible retirement test makes it administratively difficult, if not impossible, to distinguish between the several categories on a month-to-month basis. This situation increases the difficulty of making a distinction in the protection offered to full-time workers just under or just over the minimum retirement age.

The actuarial cost estimates for the hospitalization benefit proposals have been based on unit-cost-factors—supplied by medical economists and statisticians on the staff of the Social Security Administration—which we have applied to our estimated numbers of eligible beneficiaries. The unit-cost factors were developed on the basis of various experiences, including surveys of OASDI beneficiaries, with adjustments for terminal illnesses and for increased utilization due to the availability of benefits as a matter of right. The early estimates indicated a level-premium cost of slightly over  $\frac{1}{2}\%$  of payroll, which is the amount provided in the Forand Bill for the combined employer-employee rate. Unit-cost figures subsequently developed have indicated somewhat higher costs, but the proponents of the legislation have expressed complete willingness to provide the contribution rates needed. It should be mentioned that other estimates have been made indicating considerably higher costs than our figures, primarily because of assuming considerably increased utilization rates.

Finally, let us consider the inflationary aspects of OASDI. I am convinced we can never obtain here an absolute, concrete answer as we can in solving an algebra problem or computing a net premium under prescribed mortality and interest bases. For one thing, it is impossible to state with any precision who really pays the cost of the employer social security contributions. Do they come out of the employer's profits, or are they really paid by the employee's receiving a lower salary, or are they borne by the general public in the form of increased prices? I believe that nobody can give an exact answer to these questions.

Starting from a given economic situation at a given time, such as the present, as long as increases in wages and fringe benefits, including social insurance, do not outstrip productivity increases, there will be no further inflation. On the grounds of equity, if these increases occur, it may be undesirable for one factor to increase faster than another. Wages growing relatively faster than fringe benefits (including social security) amounts to decreased emphasis on protection against loss of income. Social security benefits increasing faster than private fringe benefits means added emphasis on government protection at the expense of private voluntary action. Equal growth in all these real income factors is theoretically possible within a noninflationary framework of increased productivity. Growth

of social security benefits, or of total fringe benefits, at a greater rate than wages need not be inflationary, if the rate of growth is less than the rate of increase in productivity. This would mean relatively more emphasis on social benefit protection and less on workers' current income.

LAURENCE E. COWARD:

The Canadian Social Security system as a whole will stand comparison with that of any other major country. By most tests, the government pensions for old people in Canada are at least as good as those under the programs of the United States. It is true that the U.S. system extends to some dependents and survivors who are not covered in Canada, but on the other hand, the Canadian system of universal Family Allowances evens up the score.

What are the tests used in this broad comparison? Firstly, the percentage of the population over age 65 who are receiving old age pensions or old age assistance is greater in Canada (72%) than in the U.S. (68%). After age 70 practically 100% of Canadians receive the benefits. Secondly, the average benefit is a larger percentage of average personal income in Canada (47%) than in the U.S. (42%). Thirdly, the percentage of the gross national product applied to the payment of old age benefits is roughly equal, being 2.7% in each case. Dr. R. M. Clark in his monumental report to the government on "Economic Security for the Aged" gives many other comparisons. Dr. Clark was very cautious in his comments, but he sums up the situation by stating: "As of 1958 the benefits under Old Age Security in Canada payable to single persons or married couples compare favourably with the average amounts payable to married men and their wives in the U.S."

The U.S. system makes much bigger promises for the future, but I do not consider that an advantage. The Canadian system has other good features. The Old Age Benefit is a flat amount payable to all over age 70 who have been 10 years in the country. Thus the benefit is universal— independent of any condition whatsoever as to past employment or contribution record. Only the Scandinavian countries and New Zealand have equally universal coverage, although universal coverage seems to be the ideal towards which the United Kingdom and the U.S. and many other countries are working. In the U.S., I understand, there are still 2 or 3 million people over age 65 who have not qualified and cannot qualify for Old Age Security benefits or benefits under allied programs. Universal coverage at some age is a tremendous protection of the underprivileged sections of the population. It could be criticized for giving government money to some people who do not need it; but at least the Canadian

system does not give the largest pensions to those with the smallest needs, and then make the pension tax-free.

Canada has adopted the "floor of protection" idea. Until 1951 the principle was that the pensions should be paid to those in *need*, and the pensions were subject to a means test. From 1951, the principle was changed so that a foundation of retirement income, not far from the subsistence level, is provided for all. It has never been claimed that the Old Age Benefit (at present \$55 per month, or \$110 for a married couple if they are both over age 70) is sufficient in all cases to provide a decent standard of living, if there are no other resources. It is claimed that the benefit is sufficient "together with other means that most pensioners have at their disposal, to provide a decent minimum level of living for most pensioners" (The Hon. J. W. Monteith, Minister of National Health and Welfare). The Old Age Benefit is buttressed by Old Age Assistance for those between age 65 and 70 who are unable to provide for themselves, subject to means test, and administered by the Provinces. In addition some Provinces provide assistance in cases of need, on top of the standard Old Age Benefits, that is, after age 70. Thus the Canadian principle is one of moderation and equity, with no attempt at Utopian completeness. The principle is that the government should provide a foundation adequate for the poorest sections of the population and upon which the more fortunate may build. The government has avoided the traps hidden in the plausible principles that people should get what they deserve, or what they paid for or what they are used to.

Another major advantage is that the Canadian system does not have a "built-in" tendency to expand. The outgo for pensions is not automatically increasing at an alarming rate. The cost is slowly rising with the number of those above age 70, but this rise can be predicted by the actuaries with considerable accuracy for many years ahead. The cost does not depend upon the number of old people with a certain number of quarter years of coverage, nor upon the amount of their past contributions or taxes, nor upon the interest rate earned on a Social Security Fund. In other words, the Canadian plan has a degree of stability and is under a financial control far stricter than the U.S. plan.

It might seem that, with all these advantages, no sensible person could advocate a major change in the Canadian system, except a periodic review of the basic pension level in the light of inflation, the cost of living and changes in social thinking. Indeed it is my personal view that the present type of system is doing the job in a way that is the best for Canada. There are features that could be improved, but a change to a contributory basis is neither necessary nor desirable.

However, it appears that the pressure has been gradually mounting for some form of contributory feature to be added. The OASDI system is so much taken for granted in the U.S. today that Canadian thinking is bound to be strongly influenced by U.S. ideas in this as in so many other areas. We pay you a compliment by thinking that your wage-related contributory plan must have major advantages. Dr. Clark was asked to report to the government with particular reference to those features of the U.S. system "which make it possible for higher benefits to be paid covering a wider range of contingencies at an earlier age." These terms of reference indicate that some people believe the U.S. gets more for its social security dollar than Canada. Further there have been several articles in the newspapers and elsewhere behind which the same idea seems to lurk. The result is that a great many Canadian citizens, while they have no detailed knowledge of the subject, believe that there must be something good in a contributory plan. Finally and perhaps most important, the politicians realize that Social Security is a tremendous vote-getter and talk about "making available to all Canadians the opportunity to contribute for their own security under an actuarially sound national plan."

The Canadian system will never be the same as the U.S. system. The basic \$55 per month pension must be preserved as a minimum for all old citizens. In other words, an earnings-related pension would either be subject to the \$55 minimum, or else its benefits would be added on top. A further important point is that the present Old Age Security Act required a constitutional change. The British North America Act was amended to allow the parliament of Canada to "make laws in relation to old age pensions." Whether by accident or design, the Canadian government has no power to cover widows and survivors and disabled persons, except to the extent that they are aged. These other benefits must be provided by the Provinces, if they are provided at all, on the lines of Mothers' Allowances and Provincial Pension Supplements.

If Canada adopts a contributory pension feature it is likely that the benefit structure will be closer to the British plan. Britain started in 1908 with pensions to the needy people over age 70. Contributory pensions were added in 1925, the contributions and pensions being fixed amounts and not based upon earnings. This principle was preserved through the reorganization of the whole system in 1946 following the Beveridge Report. This year the government introduced a Bill to collect graded contributions for graded additional benefits. Why?—The main official reason to improve the finances of the scheme, that is, to pay present debts by borrowing on future promises! The Conservatives won the British

General Election last month with an increased majority and we presume that this Bill will become law.

Contributions will be payable on earnings over £9 per week up to a maximum of £15 per week. On this slice of earnings, employees and the employer will each contribute roughly 4%, and the benefit for each year of contribution is  $\frac{3}{4}$ % of the applicable earnings. A consulting actuary would regard this as a rather ungenerous benefit for the money, but the cost of the basic flat benefit has been reduced.

The point upon which British actuaries are most concerned is undoubtedly the "contracting-out" provision. This allows a company on behalf of a group of employees to contract-out of the government plan, on condition that minimum benefits are provided in the company's own plan. A tremendous burden has been placed on the actuarial profession in advising companies whether or not, and for which groups, to contract-out. Not only is it necessary to make extensive calculations based on the government plan but also to try to assess the double effect of future inflation and of future liberalization of the government plan. In borderline cases, there is the tendency to advise that the company should not contract-out, but gamble on future windfalls from the state.

A contracting-out provision in Canada would, I believe, be deplored by all actuaries. The technical difficulties are enormous and the government would have to give an implied guarantee of perpetual solvency of the contracted-out pension plans.

If a contributory feature comes into effect in Canada (for better or for worse) certain dangers must be particularly avoided:

- (1) Contracting-out should not be allowed
- (2) The promises of future benefit increases should be strictly limited, so that the outgo of the plan will not balloon endlessly upwards
- (3) The fund should be a working balance only and not an actuarial reserve. (The U.S. Social Security Fund enables the claim to be made that the plan is not subsidized, although millions of dollars of interest are received. I fail to see that there is a fundamental difference between this artifice and a government subsidy, or that the fund has any economic virtue.)
- (4) People must not get the idea that they have individual equities with the right to their money back if they die or leave the country
- (5) The plan should be kept simple and understandable. The virtue of simplicity is greatly underrated. The inevitable complications will be bad enough without adding complications of principle.

I have been asked to say something on hospital and medical benefits. The tendency for Canada to move towards the U.S. type of old age

security contrasts with a tendency for the U.S. to move towards legislation in the health field, following the Canadian lead. Whether or not it is good for them, most people like government health plans. The Forand Bill to provide hospitalization and surgical services for Old Age Security recipients is an example of the trend. Furthermore, several states are watching the Canadian hospital plans closely and are at least thinking about the possibility of establishing their own plans.

It is early to judge the success of the Canadian hospital system but it has got off to a good start. Coverage is automatic or compulsory for all residents in seven Provinces. In Ontario and Prince Edward Island, over 90% are enrolled. Only Quebec is still outside the plan. *Macleans Magazine* for October 24 said: "The government plans have won their big objective—twelve million Canadians are no longer haunted by ruinous hospital bills." The provincial hospital plans are said to have won public acceptance, and to have caused a great improvement in hospital finances. The medical profession in Canada is not openly opposed to the hospital plan, although strongly opposed to any extension into state medicine. In Great Britain state medicine is now completely accepted as a part of the way of life. The U.K. Information Service states: "The contributions of Britain's National Health Service to the marked improvement in general health of the nation cannot be stated in exact terms. But that the contribution has been notable is beyond doubt."

The U.S. has to face many problems of hospital finance and efficient development of hospital and medical facilities and medical education, etc. If health services can become an efficient public utility through private enterprise, so much the better. However, it appears inevitable that the government will intervene with health services, at least for old people. The recent frantic efforts of the insurance industry to provide health services for retired people are too little and too late.

Finally, let us remember that governments have other good uses for money besides Social Security plans. Social Security must take its place on the priority list. Canada is still a young and vigorously growing country. Even the Trans-Canada Highway is not yet complete. There are urgent demands for public funds for development of the country's natural potential, for education, for foreign aid, for conservation of the soil and other resources. These are all excellent aims—and an even better one, many people think, is the reduction of taxes.

It seems ridiculous to have to say it, but the first essential of a Social Security system is that it add to and not subtract from the security of the whole people. The proposals—if not the present programs—in some countries are so lopsided and so explosive that they offer a real threat to

the economy of the nation and the security of all the people. The extravagant promises that mortgage the future may in the end cause a terrible insecurity.

W. RULON WILLIAMSON:

*The Purpose of OASI*

OASI is a part of Social Security. Purposes are subjective and elusive. The Social Security Board's pamphlet of 1940 *What Is Social Security?* said:

Its purpose is to prevent and relieve the misfortunes that come when earnings are cut off by lack of work, old age, blindness or death; when children are left with no one to support them or when they lack necessary care; and when the health of the community is not properly protected. . . . To prevent future hardships and make for the security of the working people and their families the Social Security Act provides social insurance protection. This enables wage-earners to build up an income for the times when earnings stop because of unemployment, old age or death. To relieve hardships and care for people whose needs are not met by the social insurance programs the Act provides various other kinds of protection. For needy old people, for dependent children, and for the needy blind, this means cash allowances each month. For mothers and children, it means special health and welfare services. For disabled workers it means retraining for other kinds of work, so that they can be self-supporting again. For people in general it means extending public health services in every part of the country.

In 1934, in addressing the Congress, President Roosevelt had said:

I am working for a sound means which I can recommend to provide at once security against several of the great disturbing factors in life—especially those which relate to unemployment and old age. . . . I believe that the funds necessary to provide the insurance should be raised by contributions rather than an increase in the general taxation.

A most direct statement of "The Meaning of Social Security" was set down in 1941 by Maurice Stack, British Technical Advisor to the International Labor Office:

The expression "social security" has in a very few years gained universal currency in the United States and the British Commonwealth, and has come to stand for the main objective of the post-war reorganization of Society.

The first and third quotations demand the Marxian-Keynesian managed society—cradle-to-grave. The second introduces the split budget for the nation, calling taxes contributions, slightly disguising Harry Hopkins' laconic "Tax and tax, spend and spend, elect and elect."

Within the broader framework of all-purpose Social Security, the OASI was to deal with "matters of life and death," to so order the taxes



that a small percentage of a temporarily low income would seem to commit the nation to a much larger percentage of an inflated income, while the security provided at once would be through the local Public Assistances, costs divided between local, state and Federal taxes—those Federal shares alone becoming part of the National Budget.

Destitution is probably the fundamental excuse for Federal intervention. But simulating the services of the insurance company and the bank (insurance companies are known for responsible budgeting for life and death income, banks for holding funds intact for the depositor) is a natural propaganda weapon. Furnishing only a floor of protection might convey to the established thrift agencies the hope that self-restraint would mark the growing giant's competition with them.

It isn't regarded as quite polite to say straight out that the purpose of OASI is to elbow out the American Republic of Sovereign States, of limited Federal powers (and a three-way division thereof), in favor of the Orwellian "big brother" state. There *are* those who say just that, and the evidence is rather compelling. Nor is it customary to say that the purpose is to exaggerate the extent of the unmet need, to minimize existing facilities for dealing with that need, to deny the citizen's capacity and intention to meet his own personal responsibilities, to divide the taxation into many small parts, to radically reduce his ordering of his own plans and his control of his own income and property. *But these things have taken place.*

#### *Is the Purpose Being Accomplished?*

The growth of Federal domination is obvious. The Federal bureaucracy maintains a sort of octopus hold all over. OASI boasts over 100,000,000 living OASI taxpayers of record. Adding the dependent members of their families might show 150,000,000 individuals protected. Many corporations too have recognized the hand of Santa Claus OASI in saving them some of the costs of the currently granted pensions. The life insurance business still has a premium income twice as large as the OASI taxes, but OASI benefits exceed all the life insurance benefits, even including as benefits the return of premium overcharge called dividends. Those who see monopoly dangers in bigness will find OASI a leading contender for consideration. "The poor we have always with us," and the upper money-value of poverty constantly rises. Destitution still makes its claims. OASI still has no *floor* for millions of "could-be" beneficiaries. The age benefits alone show a "floor" range from \$12 a month to \$119 a month. Benefits seem to be in inverse relation to need. Millions of the covered, watching the count of their quarters, speak of their taxes paid as though

it were money in the bank. Millions think of the shifting, sometimes disappearing, insured status in terms of contracts of life insurance, ignorant of, or forgetting, Section 1104 (Reservation of Power), and the fact that there has been more spent for OASI and the Federal subsidy of Public Assistance than the sum of all the ear-marked OASI taxes from the start.

*Would Actuarial Afterthought Suggest Changes?*

Both forethought and hindsight suggest changes. The brakes on Federal take-over have not been working well. "Social Budgeting" (my 1956 testimony before the Senate Finance Committee) involves a tent of extra charity, not a floor of protection. Its transfer of funds from taxed income receivers to those presumptively needy, pretending neither equity nor adequacy, should be a current and perhaps a temporary expedient. It reverses the order of importance. This seems to run: first, the floor of Government largess; second, workers' fringe benefits; last, the citizen's possible added protection for himself. Budgeting substitutes the order: first, the man's self-provision; second, workers' fringe benefits; third, the tent of Government (fellow-citizens') charity, better local than Federal. The arrogance of the revolutionaries, who, having overturned the old status quo and built their substitute upon the ruins, claim the change perpetual (even with other changes in mind) exceeds that of Hitler, who only claimed a millennium for their Utopia. I could in a way be pleased with the ease with which this scheme of OASI was put across, for the American tradition does encourage experiment, and does not deny the right to stop the unsuccessful experiment. Nor do I accept the line: "You can't turn the clock back." *They* did, by reversing the hard-won progress from feudalism to the ability to make personal contracts. It is customary to set erratic clocks right. Following the Napoleonic wars, the British found their Poor Laws becoming the tail that wagged the dog, too, and they "set their clocks right again" by the Poor Law of 1834. They decided that the parish was to deal only with destitution, not the poverty from shortage of current funds or the anesthesia of ambition, that the paupers' condition should be less eligible than that of the lower grades of common workmen, and that justice demanded measures deterrent to luring humans into pauperism. That spirit carried for 50 or 60 years, till overwhelmed by various breeds of socialism.

The early OASI negotiations that left the Public Assistance to deal with Old Age need, through the local citizen's local tax, aided by his state tax and his Federal tax, allowed the local sovereign states to vary widely in meeting the gap in provision from OASI. Only 4% of the aged are

aided in New Jersey, some 60% of them in Louisiana—liberty for prudence or for license.

The ILO tripartite contributions—employee, employer and Government—enunciates the Marxian dogma of “soaking the rich to aid the poor.” The progressive Federal income tax seemed to have the same intent. Recent reports indicate that 85% of that tax comes from the lowest tax band, only 15% from the upper reaches. Santa Claus is all of us.

### *A Matter of Life and Death*

One of my recent papers directed attention to the history of the fraternal and of the Carnegie free pensions to professors in nonsectarian private colleges. Those experiments also excluded at the start the older persons whose prompt inclusion would have given better evidence of long-run cost. In both cases, the wearing-out of the cost saving from that early selection smashed benevolent enterprises. After 23 years of operation (including 3 of old-age benefits) it appears that—taking the awards to the aged, 1940–59, including family, dependent and survivors benefits—the personal taxes of the taxpaying period are about 3% of the benefits in the benefit-taking period. “They paid for it”? Not in those minor payroll taxes certainly, but perhaps in the reduction of buying power in personally-provided income as well as OASI benefits and in the sheepish acceptance of a pauper status.

The wearing-out of initial OASI selection, the tripling of the level of monthly individual benefits, the class-by-class addition of receivers of heavy windfalls—these have advanced the average dollars of personal tax to several times, say 7 times, the average initial individual tax. The benefits of 1959 seem to be about 10,000 times the benefits of 1937, and 10 times the benefits of 1950. The total tax income has reached only 17 times that of the first year. The prologue is not yet played out. The next ten years are scheduled to move the total tax rate from 4½% to 8½% (OASI alone).

About 1930 we had some 1% of our aged in the poorhouses. Today over 50% of our aged are receiving what are essentially pauper doles that come from the neighbors. The history of social security is like that; it counts upon a growing need for bailing out the citizen by the Federal Government, carrying the pathologic mood of a war or a depression on into times that should be normal and sane. To count upon the need for a growing burden upon the future, from the misreading of the future back there in the past, to accept for posterity a growing subsidy, might not trouble the soulless actuary, but should trouble a patriotic American

citizen. We actuaries are also, like our British brothers in political distress, "debtors to our profession."

Rowntree, who about 1900 discussed poverty in York, England, and again about 1940 and 1950, had believed in welfarism. To find the prevalence of waste and low choice, in budgeting the increased income following the welfare gains, was quite a shock to him. The last study showed a mighty high percentage of family income devoted to the minor vices, tobacco, liquor, gambling, illicit sex. Looking backward, here, limiting our OASI taxes upon employers and employees to 1% each for 13 years seems not only silly, but irresponsible in wrecking any sense of cost measurement among those concerned in personal budgeting. Workers find themselves able to buy the big cars for \$3,000, and as litterbugs they scatter from the chariots the evidence of tasteless extravagance in food and drink, spreading the slum taint broadly.

### *Changes?*

The afterthought and forethought both suggest changes. The Committee on Economic Security was announced in June 1934, the personnel assembled by fall, the Report nearly prepared before the year-end. The convinced paternalists on the job worked fast. The experience since then requires attention. The hard-pressed railroads of today used to have signs at grade crossings "Stop, Look, Listen." My school principal would say at the start of an examination, "Read, think, act." The order was important and he repeated: "Read, think, act." The action must be determined by the competence of the observation and the cerebration. But the solution may well require the alertness of G. K. Chesterton's "Father Brown."

### *Does the Pay-As-You-Go Principle Require Restatement?*

That so-called principle has long been the muddy answer to the query "You see what I mean?" It, so far as I know, never was defined. It was a lure to the ignorant to pretend understanding. I doubt any official Congressional acceptance of its vague aid. It is a disadvantage of subterfuge that the undefined, unadopted doctrine should stay around to plague us. As Mr. Stack says, "It is rather an advantage . . . that individuals will understand it differently, though conformably with their several aspirations." Staff Director Witte (Committee on Economic Security) said that the system defined by some as "pay-as-you-go" was better defined by "owe-as-you-go." He said so, many years ago, and repeated it last year in a journal of small circulation. His contention was *at times* backed up by such diverse characters as Writer Parker, President Roosevelt, Secretary Morgenthau, Actuary Reagh, Actuary A. D. Watson, Lawyer

Wilcox, Critic George Buchan Robinson, Commissioner A. J. Altmeyer, and Actuary Williamson. The system has been one of excluding early high-cost coverage, and as I implied in my brief paper on "Selection" the wearing out of that selection would result in a system that could be correctly labeled "little go, little pay; then more go, more pay; finally lots of go, and some doubt as to lots of pay." The original sense of the fine phrase "pay-as-you-go," as meaning keeping ahead of one's liabilities and meeting them, got lost in the shuffle. After so long holding back from cost recognition, this rising cost account stands out like a sore thumb in a time of necessary budget reduction.

### *Inflation and OASI*

Built into our system of open-end benefits—where the individual average monthly primary benefit has tripled in 20 years, without outgrowing the holding-down effect of contriving at many small benefits, almost entirely windfalls—are very powerful inflationary elements.

The basic structure of gearing benefits to padded wages, the general bureaucratic liberality sparking equally generous Congressional liberality—illustrating the know-how of the Biblical unjust steward—encourages drives for more wages to get more benefits, to pay for which requires higher taxes, which sets off a drive for more wages to pay, painlessly, the higher taxes—that process is patently a force to shrink the value of the dollar. It is veiled from the covered worker what the benefits will be when he or members of his family may qualify, and how truly little his admitted tax may turn out to be, and how great his net windfall. It logically tends to a decreased provision for personal savings and an increased provision for goods and services, with the further hope that he will thereby get *things* before more dollars are demanded for them. It also doubtless contributes to the irresponsibility of the higher birth rate, and the radical reduction of basic resources per capita, with hectic acceleration of obsolescence. OASI isn't alone here. It is but part of a still broader pattern.

Our section 1104 does what the British Actuaries—some of them—suggested a year ago: avoids *promising* what will be done in the future. But when again the method of presentation *sounds like a promise*, I suspect that the unthinking populace (whose lack of understanding is taken for granted in paternalism) monetizes the debt and advances inflation. We sadly need a healthy check. We should stress Section 1104, use it, deny the facile overvaluation of the nonguaranteed benefits. We should read Henry Hazlitt's *Failure of the New Economics*, dealing with the sad willingness to read meaning into muddiness.

*Application of Analysis to Canada, Britain, Forand Bill*

I have been quoted by Dr. Clark in his report as "a lone Jeremiah," unsold as to the divine quality of the attempt to copy Europe in their Statist experiments. I find more kinship with the British Actuaries, as they sense the hazards of departing from their long-standing use of a minimum protection from Government to copy our experiment of scraping value standards. Starting in Old Age Benefits, as apples, we have since added the persimmons of dependents, the quinces of survivors, the citrus fruit of disablement. Now to add the pineapples of medical care to the punch might give us an even more serious indigestion.

MR. PEDOE introduced the informal panel discussion by referring to some of the questions now facing us with regard to the future of medical care in the United States and Canada. He referred to present thinking about the role of hospitals, medical care insurance, the American Medical Association and British Medical Services and then called upon Mr. Lesser to open the discussion.

MR. LESSER stated that labor is not happy about the present status of medical care in the United States with regard to the methods of paying for care and to ineffective control that medical insurance programs have over such care. He believed there is a great unmet need with respect to medical care for the aged.

MR. COWARD, commenting on Britain's National Health Service, stated that while the general health of that country is not susceptible of exact measurement, he felt that there has been very real improvement. The British plan is now an integral and irreversible part of their way of life.

MR. WILLIAMSON pointed out that public assistance for medical care has, for many years, been made available to people in need in the United States with a great amount of benefits available particularly to older people.

MR. MYERS said he thought that old-age pension benefits took precedence over medical care benefits in any governmental program because the principal necessity is coverage of catastrophic risks involving considerable capital sums, such as pensions, as compared to the relatively small charges and consequent small risks in providing for medical needs. In response to a question from the moderator, Mr. Myers declared that there is an unresolved question of what should be interpreted to be bare "needs" in determining the basic floor of protection.

The moderator asked whether it should be a function of government to provide more than minimum needs and whether providing more than

minimum needs did not encroach on the field beyond government's legitimate sphere.

MR. WILLIAMSON expressed concern about the enormous trend of increase in government payments under OASI and considered unhealthy the fact that the ten billion dollars paid out by OASI in 1959 is more than is being paid out by life insurance companies. He considered extremely dangerous the addition of disability benefits and medical care benefits to what he considered to be an already insufficiently-thought-through program.

MR. MYERS agreed that if governmental benefits reach too high a level and private initiative is thereby eliminated, very serious effects can accrue to the nation. He said he does not think that the present level of benefits is too high if an analysis is made of the average benefit being paid to individuals. Congressional committees very carefully study the costs of all proposed changes, and this financial control is a strong point of the system.

In response to a question from the moderator, MR. LESSER said he did not think that the present level of benefits under the Social Security program weakens American self-reliance. He stated that labor is asking that benefits be increased from the present level of about \$72 a month for a single person and \$120 a month for a couple, and that labor's position is and has been that of willingly bearing its share of the cost of increased benefits.

In response to a question from the moderator, MR. COWARD stated that while he was not particularly concerned with social insurance as an encroachment on private savings, he was concerned because the enormous fund built up by OASDI has been *spent*. He felt that wiping out the fund and making subsidies to the Social Security plan equal to the interest the fund would otherwise have earned would make everyone think more clearly about the actual situation.

MR. WILLIAMSON stated that he had reviewed contribution rates toward OASI and determined that the seven million people drawing primary benefits have contributed but 3% of the prospective value of their benefits. He considered it a farce to assume that current recipients and near-future recipients have paid anything toward this system and said that the method of funding has broken down on our basic concepts about financial relationships. An inflationary effect seems to be taken for granted in the system in that the assumption is made that posterity is going to be prepared to pay more than we are paying now for the same benefits.

MR. LESSER commented that the existence of the OASDI fund is not mythical just because it is not in productive investment, inasmuch as in-

vesting in government bonds is no different from investing in the automobile or steel business. With regard to the criticism that the people of today are not paying for their own benefits, he drew a parallel with private pension plans under which people who are close to retirement do not make the same contributions toward the cost of their pensions as the people who start in the retirement program at an early age.

The moderator pointed out that the proposed British System described in the British White Paper, while designed not to interfere with private savings, involves a cost of 12% to 13% of payroll. He asked if it was not hypocrisy to say that such a system does not interfere with private savings.

MR. COWARD mentioned that Britain had a flat pension benefit and is now adding a contributory benefit related to earnings. If Canada adopts a wage-related benefit, which the speaker considered would be a misfortune, it would be added to the present flat \$55 a month benefit. By contrast, under the United States system many people are not covered, benefits vary enormously and the minimum is very low. The "contracting out" provision of the British plan applies where the employer's pension plan meets certain standards. The actuarial work involved in advising employers whether or not to "contract out" has thrown a tremendous burden on actuaries. In general, actuaries tend to advise employers not to "contract out."

MR. WILLIAMSON stated that the tables of prospective benefits under OASI set down in 1935 anticipated benefit payments but one-sixth as large as actual payments made in 1955. He attributed the impossibility of estimating the value of future benefits to our biennial legislative program.

The moderator asked whether the Society of Actuaries should take steps, as did the British Institute and Faculty, to publicize the extent to which a person entering upon retirement benefits is subsidized by the Government.

MR. MYERS stated that he did not know whether it would be desirable for the Society of Actuaries to criticize the individual equities involved in our Social Security system and thought that a constitutional change might be necessary to effect any such action. He believed that actuaries, as individuals, could bring out the facts involved, much of which information is now available. A truly actuarially related system of individual equity would provide vastly insufficient benefits to present recipients and would not accomplish the social purpose, let alone the political one. He therefore thought that criticisms of the great excess of the value of the benefits over the value of the contributions for current bene-



ficiaries and of the unfunded liabilities of the system are not valid with respect to such a social insurance program. In response to a question from the moderator, he said that estimates of year-by-year costs and ultimate costs of OASDI have been made as a percentage of covered payroll, but that the determination of the economic effects of future costs probably falls outside the realm of the actuary.

MR. LESSER stated that, in considering the degree of interference that social insurance creates in the field of private savings, one cannot consider just the contributions themselves but must relate these contributions to gross national product. He felt that the question might better be whether private savings would have increased faster had there not been this contributory system.

MR. C. MANTON EDDY opened discussion on the Forand Bill. He said that Mr. Lesser's verbal and prepared statements reflected the philosophy of an expanding social insurance system which is counter to the viewpoint of those who believe in voluntary processes and individual and group effort. He emphasized Health Insurance Council figures which show that 40% of our present population age 65 or more have health insurance coverage. More importantly, the increase in coverage for this age group has increased from but 5% or so a few years ago and is continuing its rapid growth. The 40% figure for health coverage compares to about 60% of our present population over 65 who are covered by the Old-Age system which has been in effect for more than 20 years. The Health Insurance Council estimates that the 40% figure will increase to 70% in the near future. Mr. Eddy observed that entry into the social insurance field is a one-way street and that, while the panel members brought out criticism of the system, no panelist had indicated that the system could be reversed. He therefore considers it necessary that voluntary efforts be given the continued opportunity to solve the problems and will solve them. Government can be turned to as a last resort, and only as a last resort, because we cannot turn back from a government program which has once been initiated.

MR. JOHN H. MILLER disagreed with Mr. Lesser's conclusion that, since medical costs for older people are higher than for other people and their incomes are lower, they are not getting adequate medical care; many factors tend to equalize these differences. He said, however, that if a better way of financing medical care or providing care for the older age group or any age group is possible, we should find that method. Mr. Miller agreed with Mr. Lesser's objective of broad coverage of the aged, minimum standards of medical care and a spread of the cost over the working lifetime. He disagreed that private insurance has failed to cover the aged, pointing out that the dramatic rate of growth in coverage must be taken

into account before drawing any conclusions. He stated that the quality of coverage is improving and that the insurance industry recognizes the challenge with which it has been presented. Insurance protection for the indigent has generally been considered to be outside the scope of any insurance mechanism since, in the final analysis, the taxpayers would still have to meet the cost. However, the Federal Employee's Group Life Insurance Plan and the recent bill for providing health insurance to government employees may suggest the approach to a practical alternative which the insurance business could offer. Mr. Miller made the observation that a qualifying age such as 65 or 62 under the Forand Bill is an artificial barrier that would not stand. Irresistible forces would continually expand the coverage to other segments of the population.

MR. CHARLES B. H. WATSON said that all governmental efforts to provide medical care, of which the Canadian Hospital plan and the Forand Bill are good examples, are along the lines of first-dollar care. This would appear to be a misdirection of effort, as governmental assistance should, in his view at least, be always directed towards the alleviation of true need. In old age pensions, this takes the form of a basic monthly benefit to which the individual can add his pension plan and private insurance benefits in order to produce an income above the subsistence level. The parallel move in health insurance would seem to be the provision by the government of some form of major medical or catastrophe coverage, with deductibles tied in to the annual income of the individual, who could then on his own provide first-dollar coverage if he so wished. If government has any real right to be in the health insurance field, this, to his mind, would be its proper course of action.

MR. LESSER stated that the basic question with regard to health care to the aged was whether people over age 65 can afford to pay for a private insurance program. He said one other question in connection with voluntary coverage for the aged is the portion of medical costs being paid by the policies made available to the aged. While recognizing differences of opinion, he believed it is government's function to provide the mechanism for this coverage.